



# U.S.-KOREA TRADE AGREEMENT

## Iowa Farmers Will Benefit

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December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Iowa's agricultural products, including pork, corn, soybeans, beef, and dairy. Iowa's agricultural exports to all countries, estimated at \$6.5 billion in 2009, supported about 52,000 jobs, both on and off the farm. These export sales make an important contribution to Iowa's farm economy, which had total cash receipts of \$21 billion in 2009.

**Hogs and Pork.** Hogs were the third largest source of state farm cash receipts at \$4.4 billion in 2009, accounting for over 21 percent of the state's total. The state is the largest exporter of hogs and pork products, with exports of \$936 million in 2009. Among the KORUS agreement's benefits to the Iowa hogs and pork industry are:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen pork products as well as some fresh and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

**Feed Grains.** Iowa is the largest corn producer with cash receipts of \$7.8 billion in 2009 and the nation's largest exporter of feed grains and products at \$2.0 billion. Under the KORUS agreement:

- U.S. exports of corn for feed are guaranteed to enter at zero duty immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-metric ton duty-free tariff-rate quota (TRQ) for corn for processing that grows quickly to 393,849 metric tons by year seven, after which quantities will be unrestricted.

**Soybeans and Products.** The KORUS agreement will provide many benefits to Iowa's soybean industry, which is the top producer of soybeans (\$4.4 billion in 2009) and the leading exporter of soybeans and products (\$2.6 billion in 2009) in the nation.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free TRQ starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.

- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

**Cattle and Beef.** Iowa's cattle and beef industry is the state's fourth largest source of farm cash receipts at \$2.5 billion in 2009. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

**Dairy Products.** Iowa's dairy industry is the state's sixth largest source of state farm cash receipts at \$575 million in 2009. Under the KORUS agreement:

- Duty-free TRQs will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

**Honey.** Iowa honey producers generated \$1.6 million in farm cash receipts in 2009. U.S. honey exporters will have access to a new 200-ton duty-free TRQ as a result of this agreement.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Iowa to World
Hogs and Pork	\$2,204,000,000	\$936,000,000
Feed Grains	\$11,979,000,000	\$2,026,000,000
Soybeans and Products	\$17,709,000,000	\$2,562,000,000
Cattle and Beef	\$6,703,000,000	\$522,000,000
Dairy Products	\$2,335,000,000	\$37,000,000
Honey	\$16,923,000	\$83,000
<b>Agricultural Total</b>	<b>\$96,632,000,000</b>	<b>\$6,486,000,000</b>

*Compiled by ERS using data from Census Bureau, Commerce and NASS.*

*Note:* All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).